

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
UTILITIES COMMISSION**

DOCKET NO. 2015-54-E

<b>IN RE: Petition of South Carolina</b>	)	
<b>Electric &amp; Gas Company for</b>	)	<b>DIRECT TESTIMONY OF</b>
<b>Approval to Participate in a</b>	)	<b>JUSTIN R. BARNES ON BEHALF</b>
<b>Distributed Energy Resource</b>	)	<b>OF THE ALLIANCE FOR</b>
<b>Program</b>	)	<b>SOLAR CHOICE</b>

**MAY 14, 2015**

1    **I.       INTRODUCTION**

2    **Q.       PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND CURRENT**  
3       **POSITION.**

4    **A.**     Justin R. Barnes, 401 Harrison Oaks Blvd Suite 100, Cary, North Carolina,  
5             27513. My current position is Policy Research Manager with EQ Research  
6             LLC.

7    **Q.       ON WHOSE BEHALF ARE YOU TESTIFYING?**

8    **A.**     I am testifying on behalf of The Alliance for Solar Choice (“TASC”).

9    **Q.       HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE SOUTH**  
10       **CAROLINA PUBLIC SERVICE COMMISSION?**

11   **A.**     Yes. I submitted pre-filed direct testimony and appeared to testify on behalf of  
12             TASC in Docket Number 2014-246-E (“DER/NEM Docket”). In that case, I  
13             addressed South Carolina’s net metering policy within a national context.

14   **Q.       PLEASE DESCRIBE YOUR EDUCATIONAL AND OCCUPATIONAL**  
15       **BACKGROUND.**

16   **A.**     I obtained a Bachelor of Science in Geography from the University of  
17             Oklahoma in 2003 and a Master of Science in Environmental Policy from  
18             Michigan Technological University in 2006. I was employed at the North  
19             Carolina Solar Center at N.C. State University for more than five years, where  
20             I worked on the *Database of State Incentives for Renewables and Efficiency*  
21             (*DSIRE*) project, and several other projects related to state renewable energy  
22             and efficiency policy. In my current position at EQ Research, I manage and  
23             perform research for a solar regulatory policy tracking service, contribute as a  
24             researcher to standard policy service offerings, and perform customized

1 research. My *curriculum vitae* is attached as **Exhibit JRB-1**.

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 A. The purpose of my testimony is to discuss the details of South Carolina  
4 Electric & Gas's ("SCE&G" or the "Company") proposals for customer-scale  
5 solar programs in its Distributed Energy Resource ("DER") program  
6 application and offer suggestions on how it could be modified to further the  
7 intent of Act 236 and the Settlement Agreement to support development of  
8 small-scale, customer-sited DER. For the Company's Bill Credit Agreement  
9 ("BCA") proposal for customers with systems no greater than 20 kW, TASC  
10 proposes that the Company could more effectively encourage development of  
11 this market segment by using the "time-tested" approach of offering an  
12 additional incentive that works in conjunction with net metering.

13 Additionally, I address how it is unclear whether the Company expects  
14 that participation in its Community Solar program will satisfy the small-scale  
15 solar requirement (the "25% Requirement"),<sup>1</sup> as called for in Act 236 and as  
16 committed to in the Settlement Agreement.<sup>2</sup> I describe how counting  
17 participation in Community Solar towards the 25% Requirement, to the extent  
18 that the Company intends to do so to reduce the need to encourage a sufficient  
19 amount of small-scale, customer-sited DER, could conflict with the terms of  
20 the Settlement Agreement.

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<sup>1</sup> Under Act 236, the Company must encourage customers to install or lease DER facilities that are one MW or less to equal at least one percent of the Company's five-year average peak demand. Act 236 requires that 25% of that requirement be met with customer-sited DER that is no greater than 20 kW ("25% Requirement").

<sup>2</sup> See Settlement Agreement at Section III.1, subsections b and c.

1                   Finally, I discuss and offer recommendations on the issues of the  
2                   proper sizing limitations for systems eligible for customer-scale incentive  
3                   programs, assignability of small-scale DER incentives (for net metered  
4                   systems no greater than 20 kW), and the Company’s proposed solar leasing  
5                   and financing program.

6

7   **II.    SCE&G’S BILL CREDIT AGREEMENT PROPOSAL**

8   **Q.    PLEASE DESCRIBE THE COMPANY’S BCA PROPOSAL.**

9   **A.**   As described by SCE&G Witness John H. Raftery (“Witness Raftery”), the  
10           BCA is a program based on a ten-year commitment by SCE&G to provide a  
11           fixed monetary bill credit against a customer’s bill for each kWh produced.  
12           While the BCA rate may be modified, based on customer demand and market  
13           conditions affecting rates of customer uptake, customers who sign a BCA with  
14           SCE&G will receive the contracted bill credit rate for the entire ten-year term  
15           of the agreement. Customers will pay the Company for each kWh consumed  
16           onsite, regardless of whether it is delivered to them from the grid or from the  
17           onsite generation facility, and can take service under any type of rate for which  
18           the customer otherwise qualifies.

19   **Q.    RELATIVE TO OTHER, EXISTING DISTRIBUTED GENERATION**  
20           **POLICIES IN USE AROUND THE COUNTRY, HOW DO YOU**  
21           **CHARACTERIZE THE BCA PROPOSAL?**

22   **A.**   This proposal is unique in the realm of solar incentives, but it is most similar to  
23           a so-called “value-of-solar tariff” (“VOST”) approach. Under a VOST, a  
24           customer generally purchases all electricity requirements from the utility at the

1 normal retail rate—depending on the customer’s particular schedule—and all  
2 output from the onsite generation facility is purchased at an annually set tariff  
3 rate for the value of solar (“VOS”). While 44 states and the District of  
4 Columbia have net metering policies in place today, at this time, there are only  
5 two jurisdictions that are either considering or are already underway with a  
6 VOST-type approach. Austin Energy – a municipal utility - represents the only  
7 example of a VOST that has been implemented.<sup>3</sup>

8 In contrast to a VOST-style approach, net metering has a proven track  
9 record of customer acceptance around the country and is a nearly universal  
10 component of small-scale, customer-sited solar policy at the state level. A  
11 VOST is still a novel and largely untested approach for encouraging  
12 development of these types of facilities.

13 **Q. DO OTHER JURISDICTIONS USE PRODUCTION-BASED**  
14 **INCENTIVES TO ENCOURAGE INVESTMENT IN CUSTOMER-**  
15 **SITED RENEWABLE GENERATION?**

16 A. There are several jurisdictions where a production-based incentive is offered,  
17 but these offerings are usually in conjunction with net metering and in  
18 exchange for the provision of RECs to the purchasing utility. For instance,  
19 utilities in Connecticut, Colorado and New Mexico offer fixed, long-term  
20 performance-based incentives for small systems that function as REC  
21 purchases and operate along side of net metering. In several other states, such  
22 as Arizona and Nevada, similar standardized programs are or were in place for

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<sup>3</sup> The state of Minnesota adopted a methodology for determining a VOST rate in 2014, but none of the state’s utilities have elected to seek approval to offer the VOST to customers with onsite generation.

1 larger systems or systems on non-residential sites, while utilities in states such  
2 as Delaware and Pennsylvania have entered into long-term REC purchase  
3 contracts through periodic competitive solicitations. Additional states,  
4 including New Jersey, Maryland and Massachusetts, utilize “market-based”  
5 REC trading regimes rather than long-term contracts. Finally, both California  
6 and Connecticut have established production-based incentives that are not tied  
7 to a REC purchase.

8 The pricing and transaction model differs slightly from state to state,  
9 but in all of these examples the programs are designed to supplement net  
10 metering. The table below provides illustrative statistics on the scale and  
11 success of several of the programs referenced above. This is by no means a  
12 complete assessment of the use or achievements of supplemental production-  
13 based incentive programs throughout the country, which are too numerous to  
14 summarize here. Rather, the intent of providing this information is simply to  
15 highlight the level of consumer interest and distributed energy development  
16 achieved by several programs based on the net metering and supplemental  
17 incentive model.

State	Program	MW enrolled	Time Period
Arizona	Arizona Public Service Non-Residential PBI	136 MW	2009 - 2013
California	CA Solar Initiative (Residential) <sup>4</sup>	603 MW	2007-March 2014
Colorado	Xcel Energy Small Solar*Rewards	≥ 35 MW	July 2014-April 2015
Connecticut	Residential Solar Investment Program	56.5 MW <sup>5</sup>	March 2012-April 2015

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2 **Q. WOULD A PRODUCTION-BASED INCENTIVE TO BE OFFERED IN**  
3 **CONJUNCTION WITH NET METERING BE MORE DIFFICULT TO**  
4 **ADMINISTER THAN THE BCA PROPOSAL FOR SYSTEMS NO**  
5 **GREATER THAN 20 kW?**

6 A. No. As Witness Raftery states, the basic metering configuration and grid  
7 interconnection will be the same for net metering customer and BCA  
8 customers. Accordingly, the Company will already have in place a way of  
9 measuring gross production of the facility, so it could accommodate a  
10 production-based incentive for net metering customers. This model has been  
11 consistently employed for years in many states, including Arizona, California,  
12 Colorado, Connecticut, Delaware, Maryland, Massachusetts, Nevada, New  
13 Jersey, New Mexico, and Pennsylvania. Not surprisingly, these states comprise  
14 some the most vibrant markets for customer sited solar in the country.

15 **Q. HOW DOES THE BCA PROPOSAL DIFFER FROM NET METERING**

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<sup>4</sup> Most residential systems were enrolled in a portion of the California Solar Initiative that offered an up-front incentive based on estimated system production, referred to as the Estimated Performance-Based Buydown (“EPBB”).

<sup>5</sup> This total includes 29.7 MW enrolled in the standard performance-based incentive program, and 26.9 MW enrolled in the EPBB portion of the program.

1           **FROM A CUSTOMER’S PERSPECTIVE?**

2       A.     From a customer’s perspective, there are two significant differences. The first  
3           difference is the monetary value of a net metering credit compared to the BCA  
4           credit. At present, the Company’s non-demand flat rate schedules for  
5           residential and small general service customers carry a volumetric rate ranging  
6           from roughly \$0.105/kWh to \$0.15/kWh.<sup>6</sup> These rates determine the current  
7           value of a 1:1 kWh credit under net metering. The Company proposes to set  
8           the initial BCA credit rate at \$0.20/kWh for systems no greater than 20 kW. As  
9           SCE&G Witness Raftery testifies, developing a long-term comparison of  
10          “parity” between the two options requires hypothetical projections of how  
11          utility rates will change over time. At present, the difference is clearly  
12          considerable—at least \$0.05/kWh and potentially \$0.09/kWh—and will almost  
13          certainly influence customer perceptions of the relative benefits of each  
14          program.

15                 The second difference between the BCA arrangement and a net  
16          metering arrangement is that under net metering the output from a facility  
17          belongs to the customer until it is either: (1) consumed directly by the customer  
18          to meet their own electricity requirements; (2) used to offset electricity  
19          purchased from the grid at a future time; or (3) sold to the utility at the end of  
20          the billing year pursuant to South Carolina Code § 58-40-20(D)(4). In contrast,  
21          under the BCA arrangement, the electricity generated by the customer’s

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<sup>6</sup> See SCE&G Rates 2, 8, and 9. <https://www.sceg.com/for-my-business/manage-my-service/rates>.

1 facility belongs to the Company once it passes through the production meter  
2 and is converted into a monetary bill credit. Accordingly, it follows that the  
3 electricity generated by the BCA customer would become the property of  
4 SCE&G before it is either consumed onsite or exported to the grid. As such, a  
5 customer's choice between net metering or a VOST-style approach could carry  
6 with it very different tax implications for the host customer, be it issues of  
7 eligibility in regard to the federal investment tax credit<sup>7</sup> or the potential tax  
8 liability associated with the "sale" of kWh under the BCA that may qualify the  
9 transaction as taxable income.<sup>8</sup>

10 **Q. UNDER A BCA, IS THE CUSTOMER THAT OWNS OR LEASES A**  
11 **SOLAR GENERATION FACILITY A SELF-GENERATOR THAT IS**  
12 **CONSUMING THEIR OWN GENERATION?**

13 A. No. Although as matter of physics, the electricity generated by the customer's  
14 facility will flow into their home or business for ultimate consumption under  
15 the BCA the customer is paying the Company for each and every kWh that is  
16 consumed. These payments to the Company for each kWh would only be

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<sup>7</sup> See Energy Manager Today. "IRS Reviews Tax Implications of Value of Solar Tariffs" (Sept. 26, 2014). <http://www.energymanagertoday.com/irs-reviews-tax-implications-value-solar-tariffs-0105242/>.

<sup>8</sup> The South Carolina Department of Revenue issued an advisory opinion in 2010 (Revenue Ruling 10-10) considering whether the value a customer received through net metering for excess electricity (i.e., electricity exports) is subject to the sales and use tax or the electric power tax when used to offset future electricity usage. The DOR determined that a customer that exports electricity continues to own that electricity (or the kWh credits that represent that electricity) and is essentially using their own electricity when they net electricity against consumption over the billing month or when they use an excess kWh credit to offset usage in a future billing period. The DOR concluded that net metering neither "represent[ed] a sale of electricity to the customer by the public utility nor [did] it represent consideration paid by the customer for the public utility's electricity." Attached as *Exhibit JRB-2*.

1 warranted if the electricity the customer consumes belongs to the company.  
2 Thus, under the BCA, the customer does not, strictly speaking, consume their  
3 own generation.

4 **Q. UNDER A BCA, IS IT CLEAR THAT THE CUSTOMER THAT OWNS**  
5 **OR LEASES A SOLAR GENERATION FACILITY IS USING THAT**  
6 **FACILITY TO “OFFSET PART OR ALL OF THEIR OWN**  
7 **ELECTRICAL ENERGY REQUIREMENTS?”**

8 A. No. In my view, a customer participating in a BCA will continue to purchase  
9 electricity from the Company as if they did not have onsite solar generation  
10 (i.e., they buy all requirements from the utility). Accordingly, the customer’s  
11 bill may be reduced, but it does nothing to offset or reduce their electricity  
12 requirements from the utility. This is because the BCA, in effect, simply  
13 enables the Company to purchase and immediately sell back onsite-generated  
14 power.

15 **Q. WHAT CHANGES DOES TASC RECOMMEND TO THE PROPOSED**  
16 **BCA?**

17 A. TASC recommends that the Company offer an additional incentive to net  
18 metering customers with systems no greater than 20 kW to meet the 25%  
19 Requirement. Like many other programs, the payment of the incentive could  
20 be premised on the purchase of the renewable energy attributes (or “RECs”)  
21 associated with the electricity produced by customer-generators. For  
22 customers engaged in net metering that choose not to take an additional  
23 incentive, TASC recommends that those customers retain the RECs created by  
24 their systems. A production-based incentive could be catered to net metering  
25 customers, and made roughly equivalent to the otherwise applicable BCA rate,

1 by calculating what portion of the BCA rate exceeds the value that a net  
2 metering customer would receive for generating the same amount of kWhs  
3 over the ten-year period. This amount could then be offered as a production-  
4 based investment incentive to customers who choose to net meter by giving  
5 them a direct payment at a fixed rate for each kWh produced. This  
6 modification requires only a small departure from what the Company currently  
7 proposes with its BCA rate for systems no greater than 20 kW. TASC is not  
8 recommending similar changes to the BCA proposal for systems over 20 kW.

9 **Q. WHY ARE MANY PERFORMANCE-BASED INCENTIVES BASED**  
10 **ON THE SALE OF RECS OR AN INCENTIVE IN EXCHANGE FOR**  
11 **RECS?**

12 A. The provision of incentives to support solar and other renewable energy  
13 generation is often justified by state renewable energy targets established for  
14 utilities and electric suppliers. Under most state renewable energy standards,  
15 the acquisition and retirement of RECs is the means by which a utility or  
16 supplier complies with the targets. Thus, the performance-based incentive  
17 embodied within a REC purchase or exchange transaction serves to support the  
18 development of resources sufficient to meet a utility's or supplier's renewable  
19 energy compliance obligations.

20 **Q. HOW DO THE TARGETS ESTABLISHED BY ACT 236 COMPARE**  
21 **TO RENEWABLE ENERGY STANDARDS IN OTHER STATES AND**  
22 **THE PROVISION OF INCENTIVES TO SUPPORT NEW**  
23 **RENEWABLE GENERATION?**

24 A. Act 236 does not establish mandatory renewable energy targets or a REC-  
25 based system of determining utility compliance DER program targets. Thus a

1 REC itself does not have the “compliance value” in South Carolina that it  
2 would in many other states. However, Act 236 does establish targets for utility  
3 DER programs and the provision of incentives to encourage customers to lease  
4 or purchase renewable energy systems. In this respect, a performance-based  
5 incentive in South Carolina would serve an identical purpose, the development  
6 of resources sufficient to meet a renewable energy target, whether or not it  
7 involves a REC transaction.

8 **Q. IS TASC PROPOSING THAT SCE&G’S BCA PROPOSAL BE**  
9 **REJECTED FOR SYSTEMS UNDER 20 kW?**

10 A. No. TASC does not oppose offering a BCA and net metering plus an incentive,  
11 but believes that net metering is the more proven and appropriate policy  
12 framework to address the small-scale, customer-sited DER market. Thus, net  
13 metering with an incentive is an option that should be offered. Offering an  
14 incentive in addition to net metering is also consistent with what both Duke  
15 Energy Carolinas (DEC) and Duke Energy Progress (DEP) are offering for  
16 small-scale, customer-sited DER in their respective DER applications. TASC  
17 recommends an approach to incentive design that does not discriminate against  
18 or exclude customers that wish to become net metered customer-generators. By  
19 offering the same incentive to net metering customers and those who choose to  
20 take service under a buy-all, sell-all tariff, TASC believes that the DEC/DEP  
21 solar rebate proposal avoids the potential for discrimination against net  
22 metering.

23 **Q. IS TASC’S PROPOSAL CONSISTENT WITH THE SETTLEMENT**  
24 **AGREEMENT REACHED IN DOCKET NUMBER 2014-246-E?**

1 A. Yes. The Settlement Agreement directly contemplates that investment  
2 incentives should be provided without discrimination to customer-generators  
3 with systems no greater than 20 kW. A customer-generator is defined by  
4 statute as a customer who installs onsite generation for the purpose of using the  
5 electrical output to meet their own electricity requirements. Thus, TASC's  
6 proposal to make additional investment incentives available to net metering  
7 customer-generators is consistent with the Settlement Agreement.

8

9 **III. COMMUNITY SOLAR PROPOSAL**

10 **Q. IS THE COMPANY'S PROPOSED COMMUNITY SOLAR PROGRAM**  
11 **OPEN TO RESIDENTIAL CUSTOMERS?**

12 A. Yes. The Company proposes that the Community Solar Program will be open  
13 to residential customers.

14 **Q. DOES THE COMPANY PROPOSE THAT CAPACITY SUBSCRIBED**  
15 **UNDER THE COMMUNITY SOLAR PROGRAM COUNT TOWARD**  
16 **THE 25% REQUIREMENT, SIMILAR TO THE PROPOSAL PUT**  
17 **FORWARD IN THE TESTIMONY ON DEC AND DEP IN SUPPORT**  
18 **OF THEIR RESPECTIVE COMMUNITY SOLAR PROPOSALS?**

19 A. Yes. The Company does not expressly ask the Commission to count  
20 Community Solar capacity subscriptions toward the 25% Requirement.  
21 However, the Company implies that subscriptions of no greater than 20 kW  
22 should count toward that requirement. According to Witness Raftery's  
23 testimony, residential customers with subscriptions to identifiable solar panels  
24 with a nameplate capacity of no greater than 20 kW "would qualify as

1 Residential/Small General Service installations.”<sup>9</sup>

2 **Q. IF THE COMPANY IS ALLOWED TO COUNT RESIDENTIAL**  
3 **COMMUNITY SOLAR TOWARD THE 25% REQUIREMENT, DOES**  
4 **THE COMPANY STATE THAT IT MIGHT REDUCE THE AMOUNT**  
5 **OF ITS BCA RATE FOR SYSTEMS NO GREATER THAN 20 KW?**

6 A. No. The Company does not address the conditions under which it will seek to  
7 reduce the BCA rate for Residential/Small General Service facilities.

8 **Q. DOES THE SETTLEMENT AGREEMENT SPEAK TO WHAT LEVEL**  
9 **OF RESIDENTIAL/SMALL GENERAL SERVICE FACILITIES**  
10 **SHOULD BE SUPPORTED BY COMPANY DER INCENTIVES?**

11 A. Yes, the Settlement Agreement states that “in aggregate and over the DER  
12 planning horizon, the proposed Residential/Small Commercial DER Incentives  
13 shall be reasonably sufficient to enable the Utilities to meet the  
14 Residential/Small Commercial customer-generator adoption targets  
15 enumerated in S.C. Code § 58-39-140.”<sup>10</sup> The Settlement Agreement provides  
16 that the “Residential/Small Commercial DER Incentives” should be available  
17 to “Residential/Small Commercial” customer-generators. For purposes of the  
18 Settlement Agreement, it is important that the 25% requirement be met by  
19 DER facilities that meet the definition of customer-generator, i.e., the systems  
20 should be located on a single premises that is owned, operated, leased, or  
21 otherwise controlled by the customer. As SCE&G proposes, it will own the  
22 sites for many, if not all, of its large-scale solar facilities, which will include  
23 the partitioned systems that represent customer subscriptions to Community

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<sup>9</sup> Direct Testimony of John H. Raftery on Behalf of South Carolina Electric & Gas Company, at p.17.

<sup>10</sup> See Settlement Agreement at Section III.1.b.

1 Solar projects. TASC does not oppose the Company offering residential  
2 customers shares in Community Solar projects, but does not believe that such  
3 customer participation should be viewed as relieving the Company of the  
4 commitment it made in the Settlement Agreement to support small-scale,  
5 customer-sited DER of no greater than 20 kW up to at least the 25%  
6 Requirement.

7

8 **IV. SYSTEM SIZING LIMITATIONS FOR NET METERING, BCA AND**  
9 **COMMUNITY SOLAR CUSTOMERS**

10 **Q. HOW DOES SCE&G SET THE MAXIMUM ALLOWABLE SYSTEM**  
11 **SIZE FOR PARTICIPATION IN NET METERING, ITS BCA**  
12 **PROPOSAL, AND ITS COMMUNITY SOLAR PROGRAM?**

13 A. For each of these programs, the Company proposes that customers will only be  
14 eligible if the capacity of the customer's DER facility, measured in AC,  
15 represents 100% or less of the customer's peak demand, as reasonably  
16 estimated by the Company.

17 **Q. DOES THIS SIZING LIMITATION APPEAR CONSISTENT WITH**  
18 **THE STATUTE'S REQUIREMENT THAT SYSTEMS SHOULD BE**  
19 **"INTENDED PRIMARILY TO OFFSET PART OR ALL OF AN**  
20 **ELECTRICAL UTILITY CUSTOMER'S OWN ELECTRICAL**  
21 **ENERGY REQUIREMENTS?"**

22 A. No. Basing the system size limit on the customer's peak demand does not  
23 necessarily allow a customer to size a system to meet all of their requirements  
24 for electricity. The traditional approach to sizing an onsite generation facility is  
25 to have the output of the system meet part or all of the average annual  
26 electricity usage. This ensures that the kWh produced by an onsite generator

1 will not exceed the expected annual kWh consumption of that same customer.

2 **Q. IS IT UNCOMMON TO BASE A SYSTEM SIZE LIMIT ON THE**  
3 **CUSTOMER'S PEAK DEMAND RATHER THAN THEIR ANNUAL**  
4 **USAGE?**

5 A. Yes. Although it is quite common to see language requiring that a “customer-  
6 generator” use an onsite generation facility to meet “part or all of their own  
7 electricity requirements,” I am not aware of any jurisdiction where that sizing  
8 limitation is interpreted to mean peak customer demand. Rather, this phrase is  
9 always understood to mean that the output of onsite solar generation should  
10 match the annual load of the customer, whether based on historic data or on  
11 estimated usage. The applicable language refers to a customer’s “energy” or  
12 “electricity” requirements rather than the customer’s electric “demand”. As  
13 commonly used in the context of electric rates, the terms “energy” and  
14 “demand” have distinctly different meanings. They are not interchangeable  
15 generally and are not interchangeable in the present context.

16

17 **V. EXPERIMENTAL LEASING PROGRAM**

18 **Q. PLEASE DESCRIBE SCE&G'S LEASING PROGRAM PROPOSAL.**

19 A. As described by Witness Raftery, SCE&G proposes to offer leases or other  
20 financing arrangements to customers on municipal, church, school, and  
21 medium general service rates during 2015 and 2016. The Company proposes to  
22 limit overall enrollment to 500 kW within each customer group and 100 kW  
23 per customer. Participating customers may combine the lease or financing offer  
24 with other DER incentives. The Company does not define the specific terms

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1           that would be offered to customers under either a leasing or financing program,  
2           apart from stating that the interest rate will be set at the utility's weighted  
3           average cost of capital plus an adder based on the creditworthiness of the  
4           customer. The Company intends to recover the capital costs of any utility-  
5           owned assets over the life of the asset.

6   **Q.   DOES ACT 236 REQUIRE UTILITIES TO PROPOSE LEASING**  
7   **PROGRAMS TO SUPPORT TAX-EXEMPT ENTITIES?**

8   A.   No. Act 236 establishes a target for utility DER incentive programs of 1% of a  
9           utility's five-year average peak demand for renewable energy systems of 1,000  
10          kW or less, with 25% of this amount from facilities of 20 kW or less. These  
11          programs must *encourage* customers to purchase or lease renewable energy  
12          systems, but utilities are under no obligation to offer leasing programs.  
13          Utilities must also establish a program to support access to DER by entities  
14          holding tax-exempt status, but there is no requirement that the program include  
15          a utility-provided leasing or financing arrangement.

16   **Q.   WHAT IS TASC'S POSITION WITH REGARDS TO THE PROPRIETY**  
17   **OF UTILITY-OFFERED LEASING PROGRAMS?**

18   A.   TASC does not oppose leasing programs offered by non-regulated affiliates of  
19           the utility or under conditions where there are explicit rules preventing the  
20           utility from using its captive ratepayers to subsidize the regulated utility's  
21           efforts in a competitive market. However, TASC does oppose leasing  
22           programs that are subsidized by the regulated utility's efforts in a competitive  
23           market. Given the lack of detail in the Company's current proposal, it is hard  
24           to evaluate whether and to what extent the Company's proposal triggers those

1 concerns. Accordingly, it would be appropriate for the Company to withdraw  
2 its proposal until a later time when it can provide sufficient detail about the  
3 leasing or financing terms to enable the Commission and other parties to  
4 evaluate the impact of any such offerings on customers and the market.

5

6 **VI. ASSIGNABILITY OF CUSTOMER-SCALE INCENTIVES**

7 **Q. DOES SCE&G'S APPLICATION OR TESTIMONY ADDRESS**  
8 **WHETHER ANY OF ITS CUSTOMER-SCALE INCENTIVES WOULD**  
9 **BE MADE ASSIGNABLE FROM THE CUSTOMER OF RECORD TO**  
10 **THE INSTALLER OR LEASING COMPANY?**

11 A. No, assignability is not directly addressed in the Company's DER application  
12 or testimony. However, the use of a bill crediting arrangement under the  
13 Company's proposed BCA in itself seems to preclude the incentive from being  
14 assigned by the customer to an installer or leasing company. Under TASC's  
15 proposal to provide a production-based incentive to net-metered customers  
16 with systems no greater than 20 kW, assignability of that incentive is critical to  
17 the ability of installers and leasing companies to effectively market systems.

18 **Q. IS INCENTIVE ASSIGNABILITY COMMON AMONG CUSTOMER-**  
19 **SCALE SOLAR INCENTIVE PROGRAMS?**

20 A. Yes. As I've previously discussed, SCE&G's proposed BCA is unique from a  
21 design standpoint in a number of ways. One of those unique characteristics is  
22 reliance on a bill-crediting arrangement as the exclusive mechanism for  
23 participant compensation, which in effect prevents the incentive from being  
24 assigned to an installer or leasing company. Other current solar incentive  
25 programs do not utilize such an inflexible mechanism, and in fact, some

1 programs provide the incentive to program contractors rather than participating  
2 customers. This is true for New York's NY-SUN incentive program, which has  
3 a 3,000 MW installation target and currently represents the single largest  
4 standardized customer-sited solar incentive program in the United States.  
5 Other successful programs mentioned previously, such as the California Solar  
6 Initiative and the Connecticut Residential Solar Investment Program, allow or  
7 allowed incentive assignment. In addition, while the Xcel Solar\*Rewards  
8 program does not allow assignment, it does provide the incentive to the system  
9 owner, be it the customer or a leasing company.

10 **Q. WHY IS FLEXIBILITY WITH RESPECT TO THE PARTY THAT**  
11 **RECIEVES THE INCENTIVE BE BENEFICIAL?**

12 A. Allowing either a customer or a third-party developer to receive the incentive  
13 simplifies the process for all parties, including the program administrator.  
14 Customers may prefer to utilize assignment as a way to eliminate one step of  
15 the installation and payment process, while a program administrator may find  
16 it easier to work with solar providers that are intimately familiar with the  
17 program processes.

18

19 **VIII. CONCLUSION**

20 **Q. PLEASE SUMMARIZE TASC'S RECOMMENDATION TO THE**  
21 **COMMISSION WITH REGARD TO THE COMPANY'S CUSTOMER-**  
22 **SCALE DER PROPOSALS.**

23 A. TASC has five primary recommendations to the Commission on the specific  
24 design of SCE&G's customer-scale programs, as follows: (1) The Company's

1 BCA proposal should be modified to provide a performance-based incentive  
2 that works in conjunction with net metering for customers using small-scale,  
3 customer-sited DER of no greater than 20 kW; (2) The Company should  
4 clarify that it stands by its commitment to meet the 25% Requirement with  
5 small-scale, customer-sited DER systems of no greater than 20 kW and that  
6 Community Solar subscriptions of no greater than 20 kW will not supplant that  
7 commitment; (3) The Company should modify its proposal to limit system  
8 size based to adopt the standard approach of basing the system size limit on the  
9 expected output of the system not exceeding the customer's annual electricity  
10 consumption; (4) The Company should withdraw its experimental leasing  
11 proposal until it has fully fleshed out the precise lease or finance terms that  
12 will be used to accomplish such a program; and (5) If the Company modifies  
13 its Customer-Scale DER proposal to include a production-based incentive for  
14 net metering customers, that incentive should be made assignable to a third-  
15 party, including the installer of the system or a leasing company that owns or  
16 operates the system, at the customer's request.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes.